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Requests for observer status in the General Assembly

Request for observer status for the Islamic Development Bank Group

Letter dated 15 December 2006 from the Chargé d'affaires a.i. of the Permanent Mission of Saudi Arabia to the United Nations addressed to the Secretary-General

I have the honour to request observer status for the Islamic Development Bank Group in the General Assembly. Submitted herewith are a letter from Ahmad Mohammed Ali, President of the Islamic Development Bank Group, in Jeddah, Saudi Arabia, addressed to you (see annex I), an explanatory memorandum (annex II) in support of the request and a draft resolution (see annex III), in accordance with rule 20 of the rules of procedure.

I have the honour to request further that the present letter and its annexes be circulated as a document of the General Assembly.

(*Signed*) Abduliatif H. **Sallam**
Chargé d'affaires a.i.

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Annex I to the letter dated 15 December 2006 from the Chargé d'affaires a.i. of the Permanent Mission of Saudi Arabia to the United Nations addressed to the Secretary-General

On behalf of the Islamic Development Bank (IsDB) Group, I wish to request the United Nations to grant the IsDB Group the status of observer with the United Nations General Assembly.

As you know, the IsDB is a multilateral development bank belonging to 56 member countries with an authorised capital equivalent to US$45 billion. Headquartered in Jeddah, Saudi Arabia, the IsDB was established, in 1975, to foster socio-economic development in its member countries. In doing so, IsDB has made fighting poverty and promoting cooperation amongst member countries its main strategic objectives and the basis of its operational activities. To date, the IsDB has provided some US$50 billion of development assistance to its constituency. It currently commits annually US$4 billion of financing, around half of which targets development programs and projects. Presently, the IsDB is in the process of establishing a US$10 billion poverty alleviation fund to further strengthen its poverty reduction focus, in the framework of the Millennium Development Goals (MDGs).

Furthermore, the IsDB is working closely with its development partners, most especially the donor community, on implementing a number of major global aid policy initiatives, including the Monterrey Consensus and the ensuing "Rome Declaration on Harmonisation" and the "Paris Declaration on Aid Effectiveness", and debt relief.

It is my conviction that the observer status, for which the IsDB is aspiring, will pave the way for a stronger partnership for development between the United Nations and the IsDB, in general, and towards the attainment of the MDGs by 2015, in particular.

(*Signed*) Dr. Ahmad Mohamed Ali
President, IsDB Group

Annex II to the letter dated 15 December 2006 from the Chargé d'affaires a.i. of the Permanent Mission of Saudi Arabia to the United Nations addressed to the Secretary-General

Explanatory memorandum

Established in 1975, the Islamic Development Bank (IsDB) is a multilateral development bank with a mandate to promote economic development and social progress in its member countries, individually as well as collectively, in accordance with the ethos of Islam. This basically means that the IsDB is not allowed to deal with interest-bearing financial instruments, be it for extending financing or for resource mobilisation purposes. Another unique feature of the IsDB is its membership, which consists exclusively of developing countries, making it a fairly unique South-South partnership model based on solidarity and trust. This membership grew from 22 founding countries, in 1975, to 56 member countries in 2006. Over the same period, the IsDB's authorised capital grew manifolds and currently stands at the equivalent of $45 billion.

In pursuit of its mandate, the IsDB focuses on mainly poverty alleviation and cooperation amongst member countries. The IsDB's assistance targets primarily the following priority areas: human development, agriculture development and food security, infrastructure development, trade amongst member countries and private sector development. To obtain support, investment proposals must have a strong developmental focus and be technically, economically, financially, environmentally and socially sound. A triple-A rated bank, the IsDB operates from its headquarters in Jeddah, Saudi Arabia, and from regional offices in Kazakhstan, Malaysia, Morocco and, soon, Senegal.

The IsDB Group, as it is now known, also comprises the Islamic Research and Training Institute (IRTI, 1981), the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC, 1994), the Islamic Corporation for the Development of the Private Sector (ICD, 1999), and the International Islamic Trade Finance Corporation (ITFC, 2006).

As an inter-governmental organisation, the IsDB has been actively engaged in international development for over three decades and has worked closely with a number of UN agencies and programs, while supporting its member countries. Furthermore, the recent establishment of the IsDB poverty alleviation fund provides a unique opportunity to further cement the partnership for development between the United Nations and the IsDB. Indeed, the reaction to the announcement of this $10 billion fund, in late November 2006, at the United Nations General Assembly, meeting in an informal session, clearly demonstrated the interest of the latter.

For this reason, the participation of the IsDB as an observer at the proceedings of the General Assembly would pave the way for a stronger cooperation between the United Nations and the IsDB to the great benefit of our mutual member countries.

Summary of IsDB Group Operations

A. Overview of IsDB group financing

As of October 2006, the IsDB Group's cumulative commitments reached $44.7 billion (gross commitments totalled $51.6 billion) covering some 5,200 operations, including

1,900 trade finance operations totalling $26.5 billion. It disbursed $31.9 billion over the same period, including $2.6 billion in 2005 during which it also committed $4 billion.

Aggregate long-term financing commitments for development projects and programs, the bulk of which was in the public sector, currently stand at $17.1 billion, including $4.1 billion of highly concessional loans targeting 674 operations mainly in IsDB least developed-member countries in Africa and Asia. Furthermore, aggregate grant financing for technical assistance, capacity building, small community-based projects and scholarship programs totalled $818 million, as of October 2006. Private sector financing, which represents around 10 percent of total financing volume, currently stands at around $4 billion—including trade finance.

B. Overview of long-term financing

Long-term financing commitments in 2005 totalled $2.1 billion and targeted 130 operations in 44 member countries, including 63 operations in least developed member countries. Cumulatively, the IsDB's long-term financing commitments ($17.1 billion) targeted 6 sectors: education and health (21 percent); transport and communications (20 percent); agriculture (11 percent); public utilities [water and power] (31 percent); industry (11 percent); and financial services and others (6 percent).

C. Overview of grant programs

The IsDB's aggregate grant financing stood at $818 million, as of October 2006. In 2006, the IsDB allocated $45 million for its various grant programs. These included technical assistance for capacity building, project preparation and regional programs ($12 million); technical cooperation program ($2.1 million); scholarship program ($7.5 million); science and technology program ($5.1 million); NGOs and "women-in-development" program ($0.7 million); economics and finance research and training program ($9 million); and community-based projects mainly in non-member countries ($8.4 million).

D. Overview of commitment to Africa and to fighting poverty

By early 2002, the IsDB Group's assistance, including trade finance, to African member countries totalled $26 billion. To reiterate its unequivocal commitment to Africa's development, the IsDB Group adopted, in late 2002, a special program for Africa in response to the New Partnership for Africa's Development (NEPAD). Known as the "Ouagadougou Declaration on IsDB Group Cooperation with Africa", this program pledged a $2 billion assistance package to least developed member countries over 5 years (2003-2007). By October 2006, more than 80 percent of this package had been provided.

Furthermore, in 2006, the IsDB launched a $10 billion poverty alleviation fund, which will become operational in the second half of 2007. Both Saudi Arabia and Kuwait have already pledged initial contributions of $1 billion and $300 million, respectively, for this fund, which will provide highly concessional financing. The fund's priority areas will be within the framework of the MDGs, with a special focus on primary education

(particularly for girls); health (with a focus on malaria, tuberculosis, HIV/AIDS and other communicable diseases); agriculture; micro-finance; and infrastructure development. The fund will also support a major anti-malaria program for Africa, in partnership with WHO.

E. Overview of debt relief (Heavily Indebted Poor Countries Initiative)

To reinforce its commitment to assist least developed member countries in Africa, to achieve the MDGs, the IsDB joined the HIPC Initiative and is providing debt relief to its 13 eligible member countries. The cost of IsDB's share of debt relief under the Initiative is estimated at around $150 million (0.76 percent of multilateral creditors' share).

F. Overview of education and research commitments

Historically, the IsDB's assistance in the education sector represents around 10 percent of its aggregate long-term financing commitments with $1.6 billion. However, the past few years witnessed a stronger engagement in the education sector, which now represents 15 percent of the IsDB's current portfolio with $760 million. Presently, the IsDB commits annually around $150 million in the education sector. Furthermore, the IsDB has pledged $300 million, over a five-year period, towards the implementation of a bilingual education program, in partnership with UNESCO, in least developed member countries in Africa to promote school enrolment, especially for girls.

Over the past 4 years, the IsDB committed $390 million for the financing of 44 science and technology-related operations. It has also provided grant financing totalling $25 million, since 1996, for a groundbreaking regional program, known as the International Centre for Biosaline Agriculture (ICBA), an agricultural research and development organisation, established by the IsDB, dedicated to harnessing saline water resources for agricultural production. Moreover, to emphasise its commitment to science and technology, the IsDB awards annually 3 prizes in science and technology, worth $100,000 each, one of which must go to a least developed member country, in recognition for outstanding achievements in science and technology, and its contribution to social and economic development.

The IsDB's involvement in the education sector led to the establishment of around 4,600 schools, 600 secondary schools, 205 vocational training centres and 60 university, colleges and other educational facilities. More than 3 million students are estimated to have benefited from the IsDB's intervention in the education sector. Furthermore, it is estimated that 8,000 students worldwide and 18,000 trainees benefited from the IsDB's scholarships and training programs, respectively.

G. Overview of emergency aid and special assistance

According to the recently published "Natural Disaster Hotspots: A Global Risk Analysis", a report jointly prepared by the World Bank and Columbia University, as many as 29 (out of 56) IsDB member countries are located in disaster-prone areas. Unsurprisingly, the IsDB finds itself quite frequently involved in disaster relief and

recovery operations in its member countries. In 2005, following the Indian Ocean Tsunami, the IsDB provided a $500 million emergency assistance package to 3 member countries, namely, Indonesia, Maldives and Somalia, and 3 non-member countries, namely, India, Sri Lanka and Thailand. In late 2005, following the earthquake that devastated parts of Pakistan and India, the IsDB provided, in two stages, an assistance package totalling $501.6 million to assist the Government of Pakistan in the reconstruction of the areas affected by the earthquake. Furthermore, the IsDB, in partnership with UNDP, is currently providing special assistance in conflict-affected areas such as Afghanistan and the Palestinian territories.

Furthermore, the IsDB, in partnership with the Global Facility for Disaster Reduction and Recovery (GFDRR), an initiative spearheaded by the World Bank and the UN-ISDR (International Strategy for Disaster Reduction), is to assist its member countries in the implementation of the "Hyogo Framework", a blue print for disaster reduction efforts for the period 2005-2015.

H. Overview of energy commitments

Aggregate commitments in the power sector reached $2.7 billion, as of October 2006. This assistance focused on power generation, transmission and distribution. Furthermore, the IsDB strongly supported (regional) hydropower development in Africa, including programs along the Senegal, Niger and Gambia Rivers, which attracted over $200 of IsDB financing. The IsDB also supports development of regional power programs such as the West African Power Pool (WAPP).

In the last three years alone, the IsDB committed around $1 billion for power generation, transmission and distribution projects. This assistance targeted both green-field and brown-field projects, which focused mainly on energy efficiency and emission control, through the conversion of existing power plants into combined cycle power generation systems, and the reduction of losses through upgraded transmission systems.

In 2006, the IsDB participated in the elaboration of the World Bank-led "Clean Energy and Development Investment Framework". Furthermore, the IsDB is currently studying a proposal to implement the Kyoto Protocol's (UNFCCC) provisions known as the Clean Development Mechanism, which underpin the development of a carbon finance market.

I. Overview of water commitments

Water financing historically accounts for 15 percent of the IsDB's aggregate long-term commitments. As of October 2006, the IsDB provided around $2.5 billion of assistance to 45 countries through some 250 water-related projects worth in excess of $10 billion. Of this allocation, 60 percent targeted water supply and sanitation, while 35 percent was devoted to irrigation and 5 percent to hydropower projects. Around 20,000 water points were provided for rural communities in Africa. In 2005, the IsDB committed $288 million for the financing of 12 water-related projects in 11 countries. Of these commitments, $239 million targeted water supply and sanitation projects in 7 countries.

Furthermore, the IsDB is heavily involved in the organisation of the triennial World Water Forum. It is also actively involved with the World Water Council and the Global Water Partnership and supports the activities of the African Ministers' Council on Water (AMCOW). It is also a member of the Task Force, chaired by the OECD Secretary-General, on "Financing Water for All".

J. Overview of food and agriculture aid commitments

The IsDB's assistance in the agriculture (and rural development) sector totalled around $1.9 billion, as of October 2006, and targeted primarily irrigation schemes, improved agricultural production and micro-credit schemes. Presently, the IsDB's agriculture portfolio represents around 10.5 percent of the active long-term finance portfolio with $690 million covering 87 operations. Cumulatively, the IsDB supported some 188 irrigation and land development projects with a total area of over 1 million hectares.

K. Overview of health commitments

The IsDB's assistance in the health sector totalled around $1 billion, as of October 2006, and led to the establishment of more than 2,700 primary healthcare units, close to 100 district/regional hospitals, and a number of specialist hospitals in 40 member countries. Currently, the health portfolio represents 7 percent of the IsDB long-term finance portfolio with $440 million covering 64 operations. In 2006, following the outbreak of highly pathogenic Avian Influenza, the IsDB pledged $103 million of combined loan and grant financing to assist its concerned member countries, in partnership with FAO, in preventing and controlling Bird Flu. Furthermore, it is currently designing an anti-malaria program, in partnership with WHO, for its member countries in Africa.

L. Overview of transport commitments

In the transport sector (land, air and water transport), the IsDB's assistance totalled around $3 billion, with the lion's share (70 percent) going to land transport and 20 percent to water and 10 percent to air transport. As of October 2006, the transport and communication portfolio represented 22 percent of the IsDB's long-term finance portfolio with around $1.6 billion.

The IsDB's intervention focused primarily on regional land transport, mainly road projects in land-locked member countries in Africa and Central Asia. As of October 2006, the IsDB supported the financing of over 200 road projects. In Africa, most IsDB-financed road projects focused on developing the east-west (Trans-Sahelian) and north-south (Trans-Saharan) corridors, in order to promote trade between member countries.

M. NGOs and women-in-development program

The IsDB's "NGOs and Women-in-Development" program was established in the late 1990s. Currently, it provides 0.7 million annually in grant financing and supports primarily community-based women advancement programs. In recognition to the

important role of women in development, the IsDB instituted the Women's Contribution in Development Prize. Awarded annually, the Prize, of a value of $100,000 (if awarded to an organisation) and $50,000 (if awarded to an individual), recognises achievements in alleviating poverty, entrepreneurship and outstanding contributions to the community.

N. Overview of trade financing operations

Another fairly unique feature of IsDB is its long-term involvement in trade finance. Trade finance is one of the IsDB's major activities and represents historically around 60 percent of the IsDB's aggregate commitments with $26.5 billion. The IsDB has always recognised the importance of trade finance as a means to strengthen economic cooperation amongst its member countries. Through the exchange of much-needed intermediate and capital goods, the IsDB has helped in addressing poverty in member countries by stimulating economic growth and diversifying production. Trade has also permitted specialization, leading to gains from economies of scale. The goods commonly traded are crude oil, cotton, jute, refined petroleum products, steel, vegetable oil, cement, fertilizers, agro-processing machinery, and railway rolling stocks.

O. Overview of partnership for development commitment

Building partnerships and working closely with development partners has been the IsDB's philosophy since its inception—its very first operation, in 1976, was co-financed with a number of bilateral and multilateral donors. The IsDB's collaborates closely with UN bodies, the World Bank, regional development banks, bilateral donors, private sector and NGOs, the aim being to improve aid coordination and effectiveness. Co-financing is the yardstick by which the effectiveness of partnerships can be measured. In 2005, the IsDB co-financed 15 projects in 12 member countries worth $1.7 billion, of which the IsDB contributed $368 million (or 22 percent of the total cost of the projects). In addition, the IsDB collaborates closely with a number of UN bodies such as UNDP, UNCTAD, ITC, FAO, UNESCO, WHO, UNIDO, UNEP and IFAD.

P. The way ahead

There is a compelling case for the IsDB to focus its development assistance on Africa on account of the region's high incidence of poverty: close to half of the people live under extreme poverty; about 60 percent of the rural population is still without water supply and sanitation services; 20 percent of the urban population still live without water supply and sanitation services, less than 5 percent of domestic sewage actually gets treated prior to being discharged in the environment, child malnutrition rate is as high as 40 percent in some countries; child and maternal mortality rates remain very high; less than two-thirds of children are enrolled in primary schools; and the majority of the countries in the region are off-track to meet the MDGs. In addition, the social and economic burden posed by malaria, HIV/AIDS and other communicable diseases is further exacerbating Africa's predicament.

To address this, the IsDB's strategy in the medium to long-term in Africa will focus on (a) improving agricultural productivity and food security; (b) combating major diseases, particularly malaria; (c) improving maternal-child health; (d) scaling up investments in water and sanitation; and (e) expanding education and economic opportunities for women. It is the IsDB's resolve to work closely with its development partners, especially the UN system, multilateral and bilateral donors, NGOs and the private sector in order to have a discernible contribution to the attainment of the MDGs and to fighting poverty in Africa.

Annex III to the letter dated 15 December 2006 from the Chargé d'affaires a.i. of the Permanent Mission of Saudi Arabia to the United Nations addressed to the Secretary-General

Draft resolution

Observer status for the Islamic Development Bank Group in the General Assembly

The General Assembly,

Wishing to promote cooperation between the United Nations and the Islamic Development Bank Group,

1. *Decides* to invite the Islamic Development Bank Group to participate in the sessions and the work of the General Assembly in the capacity of observer;

2. *Requests* the Secretary-General to take the necessary action to implement the present resolution.